

* NOT A MEMBER OF D.C. BAR
+ ALSO ADMITTED IN NEW YORK
o ALSO ADMITTED IN OHIO
ALSO ADMITTED IN MARYLAND

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ALVORD AND ALVORD

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INTERSTATE COMMERCE COMMISSION

December 30, 1986

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Doc. 100-46-580

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Washington, D. C.

Ms. Noretta R. McGee
Secretary
Interstate Commerce Commission
Washington, D.C.

Dear Ms. McGee:

Enclosed for recordation pursuant to the provisions of 49 U.S.C. Section 11303(a) is a Security Agreement (Assignment) dated as of December 15, 1986, a primary document as defined in the Commission's Rules for the Recordation of Documents.

The names and addresses of the parties to the enclosed document are:

Secured Party: First National Bank of Minneapolis
First Bank Place
Minneapolis, Minnesota 55480

Debtor: ACF Industries, Incorporated
 3301 Rider Trail South
 Earth City, Missouri, 63045

A description of the railroad equipment covered by the enclosed document is set forth on Schedule A attached hereto and made a part hereof.

Also enclosed is a check in the amount of \$10 payable to the order of the Interstate Commerce Commission covering the required recordation fee.


Kindly return stamped copies of the enclosed document to Charles T. Kappler, Esq., Alvord and Alvord, 918 Sixteenth Street, N.W., Washington, D.C. 20006.

Ms. Noreta R. McGee
Secretary
Interstate Commerce Commission
December , 1986
Page Two

A short summary of the enclosed primary document to appear in the Commission's Index is:

Security Agreement (Assignment) dated as of December 15, 1986 between First National Bank of Minneapolis, Secured Party, and ACF Industries, Incorporated, Debtor, covering one hundred ninety-one (191) railroad freight cars consisting of tank and hopper cars.

Very truly yours,


Charles T. Kappler

Enclosures

7/2/71

SCHEDULE A

<u>CAR COUNT</u>	<u>INITIALED ACFX AND NUMBERED</u>	<u>AAR DESIGNATION</u>
13	39572 - 39584	C614
1	39608	C214
1	39610	C214
1	39613	C214
8	39619 - 39626	C214
9	39634 - 39642	C214
1	39645	C214
2	39650 - 39651	C214
28	39654 - 39681	C214
6	39693 - 39698	C214
80	40401 - 40480	C214
4	40601 - 40604	C214
8	51238 - 51245	C614
10	51246 - 51255	C614
9	71245 - 71253	T104
10	71254 - 71263	T107
<hr/>		
191	Total	

Interstate Commerce Commission
Washington, D.C. 20423

12/30/86

OFFICE OF THE SECRETARY

Charles T. Kappler
Alvord & Alvord
918 16th St. N.W.
Washington, D.C. 20006

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 12/30/86 at 11:55am, and assigned re-recording number(s). 15140

Sincerely yours,

Noreta K. McGee
Secretary

Enclosure(s)

SE-30
(7/79)

1 5140
RECORDATION NO. _____ Filed & Recorded

DEC 30 1986 11- 5 5 PM

INTERSTATE COMMERCE COMMISSION

SECURITY AGREEMENT (ASSIGNMENT)

BETWEEN

ACF INDUSTRIES, INCORPORATED

DEBTOR

AND

FIRST NATIONAL BANK OF MINNEAPOLIS

SECURED PARTY

Dated as of December 15, 1986

Filed and Recorded with the
Interstate Commerce
Commission pursuant to 49
U.S.C. § 11303 as Document
No. _____ on _____,
1986 at _____.

SECURITY AGREEMENT

SECURITY AGREEMENT (ASSIGNMENT) dated as of December 15, 1986 (the "Security Agreement") between ACF INDUSTRIES, INCORPORATED, a New Jersey corporation (the "Debtor") and FIRST NATIONAL BANK OF MINNEAPOLIS, a national banking association organized and existing under the laws of the United States (the "Secured Party") parties to the \$7,650,000 Term Loan Agreement (the "Loan Agreement") dated as of December 15, 1986, as the same may be amended, modified or supplemented from time to time. Unless otherwise defined herein all capitalized terms used herein and defined in the Term Loan Agreement are used herein as therein defined.

RECITALS

A. Pursuant to Section 2.1 of the Loan Agreement, the Secured Party has agreed to make a single advance to the Debtor (the "Advance") in the principal amount of \$7,650,000.

B. The principal of and interest on the Advance and all additional amounts and other sums at any time due and owing from or required to be paid by Debtor under the terms of the Loan Agreement with respect to the Advance, the Note of the Debtor issued pursuant thereto or this Security Agreement are hereinafter sometimes referred to as "indebtedness hereby secured."

Section 1. GRANT OF SECURITY

The Debtor, in consideration of the premises and of the sum of Ten Dollars received by the Debtor from the Secured Party and other good and valuable consideration, receipt and sufficiency whereof is hereby acknowledged, and in order to secure the payment of the principal of and interest on the Advance according to its tenor and effect, and to secure the payment of all other indebtedness hereby secured and the performance and observance of all covenants and conditions contained in the Loan Agreement and in this Security Agreement, does hereby transfer, convey, warrant, mortgage, deliver, pledge, assign, and grant to the Secured Party, its successors and assigns, a lien on and continuing security interest in, all and singular of the Debtor's rights, title and interest in and to the properties, rights, interests and privileges in (a) certain railroad tank cars and covered hopper cars owned by the Debtor (collectively the "Equipment" or "Items of Equipment" and individually an "Item of Equipment") described on Schedule A hereto, together with all accessories, equipment, parts and appurtenances appertaining or attached to such

Equipment, whether now owned or hereafter acquired, and all substitutions, renewals or replacements of and additions, improvements, accessions and accumulations to any and all of said Equipment, together with all the rents, issues, income, profits and avails therefrom and the proceeds thereof, (b) each and every lease relating to the Equipment (each such lease being an "Assigned Lease") including but not limited to:

(i) all payments due and to become due under any Assigned Lease, whether as contractual obligations, damages or otherwise;

(ii) all of Debtor's claims, rights, powers, privileges and remedies under any Assigned Lease and, to the extent permitted by the lessee under any Assigned Lease, the right to cure a default by Debtor under any Assigned Lease; and

(iii) all of Debtor's rights under any Assigned Lease to make determinations, to exercise any election (including but not limited to election of remedies) or option, or to give or receive any notice, consent, waiver or approval together with full power and authority with respect to any Assigned Lease to demand, receive, enforce, collect or receipt of any of the foregoing rights or any property the subject of any of the Assigned Leases, to enforce or execute any checks, or other instruments or orders, to file any claims and to take any action which (in the opinion of the Secured Party) may be necessary or advisable in connection with any of the foregoing insofar, but only insofar, as such rights appertain to the Equipment,

together with all extensions, renewals and replacements thereof, whether now owned or hereafter acquired and all income, profits and avails therefrom, all rights thereunder and all proceeds thereof, insofar as the same appertain to or are derived from the Equipment, and (c) the Cash Collateral Account (as hereinafter defined), all amounts from time to time on deposit therein and all investments made with the proceeds thereof (all of the foregoing being the "Collateral").

1.1 Duration of Security Interest. The Secured Party, its successors and assigns, shall have and hold the Collateral forever; provided, always, however, that if the Debtor shall irrevocably pay or cause to be irrevocably paid all the indebtedness hereby secured and shall observe, keep and perform all the terms and conditions, covenants and agreements

herein and in the Loan Agreement, then these presents and the estate hereby granted and conveyed shall cease and this Security Agreement shall become null and void; otherwise to remain in full force and effect.

Section 2. COVENANTS AND WARRANTIES OF THE DEBTOR

The Debtor covenants, warrants and agrees as follows:

2.1 Debtor's Duties. The Debtor covenants and agrees well and truly to perform, abide by and to be governed and restricted by each and all of the terms, provisions, restrictions, covenants and agreements set forth in this Security Agreement and the Loan Agreement and in each and every supplement thereto or amendment thereof which may at any time or from time to time be executed and delivered by the parties thereto or their successors and assigns, to the same extent as though each and all of said terms, provisions, restrictions, covenants, amendments or supplements to the Loan Agreement were fully set out in an amendment or supplement to this Security Agreement.

2.2 Maintenance; Insurance. (a) The Debtor at its own expense will, or will require and cause any lessee under each Assigned Lease to, maintain and service each Item of Equipment and comply with a preventive maintenance schedule which will include testing, repair and overhaul of each Item of Equipment so that each Item of Equipment will remain (i) in compliance with any and all applicable laws and regulations and eligible for railroad interchange in accordance with the rules of the Association of American Railroads ("AAR"), and (ii) suitable for immediate purchase or lease and use by a Class I linehaul railroad (not then or prospectively a debtor in any insolvency or reorganization proceedings) in the event of sale upon an Event of Default hereunder. In no event shall any Item of Equipment be maintained or scheduled for maintenance on a basis less frequent than the maintenance or maintenance scheduling basis employed as of the date hereof by the Debtor for similar equipment.

(b) The Debtor will maintain with responsible insurance companies, such insurance on such of its properties, in such amounts and against such risks as is customarily maintained by similar businesses, and in any event, in any amount not less than the full fair insurable value of all of the assets and properties of the Debtor and its Subsidiaries where insurance is customarily maintained. For the purposes of this Section 2.2(b), insurance shall include self-insurance, provided the Debtor maintains adequate reserves to cover the risks not otherwise insured. Within 30 days of the end of each

fiscal quarter of the Debtor, the Debtor shall furnish to the Secured Party a certificate of the chief financial officer of the Debtor evidencing the maintenance of the insurance, the assignment of such insurance to the Secured Party and/or the maintenance of reserves required hereunder. In the event that at any time sixteen (16) or more Items of Equipment are off-lease (i.e., not subject to an effective and subsisting lease to a lessee) and are stored in one location, the Debtor shall procure or cause to be procured from a responsible insurance company all-risk property damage insurance with respect to such Items of Equipment in an amount not less than the aggregate Loan Value (as hereinafter defined) thereof, naming the Debtor as loss payee as its interest may appear; and a copy of a certificate as to such insurance shall be furnished by the Debtor to the Secured Party not later than 45 days after the date (the "Starting Date") the number of such Items of Equipment so stored first reached sixteen. If such Items of Equipment continue to remain off-lease and in storage 180 days after the Starting Date, the Debtor shall immediately cause the Secured Party to be named as additional loss payee on such insurance and deliver a certificate to the Secured Party to that effect. For these purposes, the "Loan Value" of an Item of Equipment as of any date of determination is an amount equal to the product of (i) the unpaid principal balance of the Advance as at such date, multiplied by (ii) a fraction, the numerator of which is the original cost of such Item of Equipment and the denominator of which is the original cost of all Items of Equipment which on such date continue to be subject to the Lien of this Security Agreement.

2.3 Warranty of Title. The Debtor has the right, power and authority to grant a valid first priority lien on and security interest in the Collateral to the Secured Party for the uses and purposes herein set forth; no Lien (as hereinafter defined) currently attaches to the Collateral and the Debtor will warrant and defend the title to the Collateral against all claims and demands of all third persons or persons claiming by, through or under the Debtor. Except as elsewhere in this Security Agreement expressly permitted, the Debtor will not sell or otherwise dispose of any of the Collateral. The Debtor will not create, assume or suffer to exist any Lien on the Collateral other than Permitted Liens (as hereinafter defined). As used herein, "Lien" shall mean any mortgage, pledge, security interest, encumbrance, lease, lien or charge of any kind (including any agreement to give any of the foregoing, any conditional sale or other title retention agreement and the filing of or agreement to give any financing statement under the Interstate Commerce Act ("ICA") or the Uniform Commercial Code ("UCC") of any jurisdiction). As used herein, "Permitted Liens" shall mean (a) the Lien created by

this Security Agreement and the Assigned Leases; (b) mechanics', laborers', warehouse, storage or other like Liens imposed by law provided the indebtedness secured thereby is not at the time delinquent; (c) the Lien of taxes, assessments or governmental charges which are not at the time delinquent; (d) the Lien of taxes, assessments or governmental charges which are delinquent and mechanics', laborers', warehouse, storage and like Liens as to which the indebtedness secured thereby is delinquent, but the validity of which (in either case) is being contested in good faith by appropriate action diligently pursued, if the Debtor shall have set aside on its books such reserves (segregated to the extent required by generally accepted accounting principles, if any, as deemed by it appropriate and adequate in accordance with generally accepted accounting principles), provided that such proceeding shall suspend the collection of such taxes, assessments or governmental charges and the security interest in the Collateral, or any part thereof, would not in the opinion of the Secured Party be adversely affected or forfeited during the period of such contest; and (e) Liens to secure obligations under workers' compensation laws or similar legislation to secure public or statutory obligations of the Debtor or any of its Subsidiaries.

2.4 Further Assurances. The Debtor will, at its expense, do, execute, acknowledge and deliver all and every further acts, deeds, conveyances, transfers and assurances necessary or proper for the perfection of the security interest being herein provided for in the Collateral, whether now owned or hereafter acquired.

2.5 Recordation and Filing. The Debtor will cause this Security Agreement and any supplements hereto, and all financing and continuation statements and similar notices required by applicable law, at all times to be kept, recorded and filed at no expense to the Secured Party in such manner and in such places as may be required by law in order fully to preserve and protect the rights of the Secured Party hereunder, and will at its own expense furnish to the Secured Party promptly after the execution and delivery of this Security Agreement and of any supplement to this Security Agreement an opinion of ~~Weil, Gotshal & Manges~~ or other counsel satisfactory to the Secured Party stating that in the opinion of such counsel this Security Agreement or such supplement, as the case may be, has been properly recorded or filed for record so as to make effective of record the security interest intended to be created hereby.

J. JOSEPH MULLER

2.6 Power of Attorney. The Debtor does hereby irrevocably constitute and appoint the Secured Party, upon the

occurrence and during the continuance of an Event of Default hereunder, its true and lawful attorney with full power of substitution for it and in its name, place and stead, to ask, demand, collect, receive, receipt for, sue for, compound and give acquittance for any and all rents, income and other sums which are assigned under Section 1 hereof with full power to settle, adjust or compromise any claim thereunder as fully as the Debtor could itself do, and to endorse the name of the Debtor on all commercial paper given in payment or in part payment thereof, and in its discretion to file any claim or take any other action or proceedings, either in its own name or in the name of the Debtor or otherwise, which the Secured Party may deem necessary or appropriate to protect and preserve the right, title and interest of the Secured Party in and to such rents and other sums and the security intended to be afforded hereby.

2.7 Chief Executive Office; Corporate Name Records.

The chief executive office of Debtor is located at 3301 Rider Trail South, Earth City, Missouri 63045. Debtor will not move its chief executive office except to such new location as Debtor may establish in accordance with the last sentence of this Section 2.7. Debtor will not change its corporate name except after having complied with the requirements of the last sentence of this Section 2.7. Debtor shall not establish a new location for its chief executive office or change its corporate name until (i) it shall have given to the Secured Party not less than 60 days' prior written notice of its intention so to do, clearly describing such new location or specifying such new corporate name, as the case may be, and providing such other information in connection therewith as the Secured Party may reasonably request, and (ii) with respect to such new location or such new corporate name, as the case may be, it shall have taken all action, satisfactory to the Secured Party, to maintain the security interest of the Secured Party in the Collateral intended to be granted hereby at all times fully perfected and in full force and effect.

Section 3. DEBTOR'S RIGHTS; FURTHER ASSURANCE

3.1 Debtor's Rights. Until the occurrence and continuance of an Event of Default, Debtor may exercise all of the Debtor's rights, powers, privileges and remedies under the Assigned Leases, including, without limitation, the right to receive any and all monies due or to become due under the leases and to retain all copies (originals or duplicates) of Assigned Leases, provided that without the prior written consent of the Secured Party Debtor will not enter into any amendment, modification, waiver or termination of any provision of the Assigned Leases other than those which do not have a material adverse effect on the value of such Assigned Leases.

as provided herein

3.2 Title; Further Assurance. Debtor covenants and agrees to warrant and forever defend the title to the Collateral against the claims and demands of any Person (other than the Secured Party) and hereby grants the Secured Party full power and authority to take all actions as the Secured Party deems necessary or advisable to effectuate this sentence. Furthermore, Debtor hereby covenants and agrees to execute and deliver to the Secured Party such other and further instruments of transfer, assignment and conveyance, and all such other documents and instruments as may be reasonably requested by the Secured Party more fully to transfer, assign and convey to and vest in the Secured Party the security interest in the Collateral hereby granted or intended so to be.

Section 4. POSSESSION AND USE OF EQUIPMENT

4.1 Possession of Collateral. So long as there is no Event of Default hereunder or an event which with the giving of notice or lapse of time or both would constitute such an Event of Default, the Debtor shall be suffered and permitted to remain in full possession, enjoyment and control of the Collateral including each Assigned Lease and to manage, operate and use the Equipment and each part thereto with the rights and franchises appertaining thereto.

4.2 Casualty Loss. The destruction, loss, theft, irreparable damage to, or taking by governmental authority of any Item of Equipment or the occurrence of any event or circumstance which renders an Item of Equipment unusable in the business of the Debtor is herein called a "Casualty Loss," and any proceeds payable to the Debtor or the Secured Party as a result of such Casualty Loss, whether in respect of insurance proceeds, condemnation awards or otherwise are herein called "Casualty Loss Proceeds." If any Casualty Loss occurs with respect to an Item of Equipment, and so long as no Event of Default then exists, the Debtor may, at its option, either replace such Item of Equipment with an Item of Equipment with a fair market value comparable to the fair market value of the replaced Item of Equipment immediately prior to the occurrence of the Casualty Loss or deliver any Casualty Loss Proceeds received by the Debtor with respect thereto to the Secured Party to be retained in the Cash Collateral Account hereinafter described. When replacing any Item of Equipment with respect to which a Casualty Loss has occurred, the Debtor shall furnish to the Secured Party a certificate of an officer of the Debtor as to the fair market value of the replacement Item of Equipment and the fair market value of the replaced Item of Equipment immediately prior to the Casualty Loss, and the Debtor shall, at the Debtor's expense, take all necessary or appropriate actions as the Secured Party may reasonably require

to subject such replacement Item of Equipment to the Lien of this Security Agreement and to perfect such Lien. When replacing any Item of Equipment as herein allowed, the Debtor shall be entitled to retain any Casualty Loss Proceeds received by the Debtor with respect thereto and the Secured Party shall turn over to the Debtor any such Casualty Loss Proceeds received by the Secured Party. All Casualty Loss Proceeds received by the Debtor shall be held in trust to be applied only in the manner as in this Section 4.2 provided (provided, however, that notwithstanding any of the foregoing, to the extent that the aggregate Casualty Loss Proceeds with respect to all Casualty Losses do not exceed \$150,000, the Debtor may retain such amount and use the same for any purpose). When any Event of Default exists, all Casualty Loss Proceeds received by the Debtor shall be paid over to the Secured Party for deposit in the Cash Collateral Account. The "Cash Collateral Account" is a restricted account held by the Secured Party as Collateral and maintained by the Debtor with the Secured Party at the Secured Party's banking office in Minneapolis, Minnesota in the name of the Debtor but under the sole control and dominion of the Secured Party. All amounts from time to time on deposit in the Cash Collateral Account shall, so long as no Default or Event of Default shall have occurred and be continuing, be invested by Secured Party at the direction of Debtor in certificates of deposit of Secured Party with such maturities as Debtor shall request. Except as otherwise provided herein, amounts on deposit in the Cash Collateral Account shall not be released by Secured Party except to the extent that all or any part of such amount is applied, at the direction of Debtor, to prepay, in whole or in part, in accordance with Section 2.10 of the Loan Agreement, the Advance. Upon the occurrence and during the continuance of any Event of Default, the funds in the Cash Collateral Account shall be applied by the Secured Party in the manner specified in Section 5.5 hereof.

Section 4.3 Substitution of Equipment. So long as no Event of Default shall have occurred and be continuing, upon the request of Debtor, the Secured Party shall execute and deliver releases in a form reasonably satisfactory to Debtor releasing (i) all the Secured Party's interest in and to any Item of Equipment, and (ii) such Item of Equipment from the Lien of this Security Agreement, provided, however, that no Item of Equipment shall be so released unless simultaneously there shall be subject to the Lien of this Security Agreement and the interest of the Secured Party other Equipment of not less than the aggregate value of any Item or Items of Equipment to be so released, the value of which as of the date of such release shall be certified to by an officer of the Debtor. All expenses of any such release and of subjecting any substitute Equipment to the Lien of this Security Agreement shall be for

the account of the Debtor, and the Debtor shall take all necessary or appropriate actions as the Secured Party may reasonably require to subject such substitute Equipment to such Lien and to perfect such Lien.

Section 5. DEFAULTS AND OTHER PROVISIONS

5.1 Events of Default. The term Event of Default shall mean one or more of the following:

(a) An Event of Default, as defined and set forth in Section 6.1 of the Loan Agreement; or

(b) Default on the part of the Debtor in the due observance or performance of any covenant or agreement to be observed or performed by the Debtor under this Security Agreement; or

(c) Any representation or warranty on the part of the Debtor made herein or in any report, certificate, financial or other statement furnished in connection with this Security Agreement or the transactions contemplated herein shall prove to be false, incorrect, or misleading in any material respect when made; or

(d) Any claim, lien or charge (other than Permitted Liens) shall be asserted against or levied or imposed upon the Collateral; or

(e) This Security Agreement shall cease to be in full force and effect or shall cease to create a valid first priority, perfected lien on and first priority, perfected security interest in the Collateral in favor of the Secured Party.

5.2 Secured Party's Rights. The Debtor agrees that when any Event of Default has occurred and is continuing, the Secured Party shall have the rights, options, duties and remedies of a secured party, and the Debtor shall have the rights and duties of a debtor, under the ICA and under the UCC of the State of Minnesota (regardless of whether such UCC or a law similar thereto has been enacted in a jurisdiction wherein the rights or remedies are asserted), as applicable, and the Secured Party shall have the following rights and remedies:

(a) The Secured Party may, by notice in writing to the Debtor declare the entire unpaid balance of the Advance to be immediately due and payable; and thereupon all such unpaid balance, together with all accrued interest thereon, shall be and become immediately due and payable.

(b) The Secured Party personally or by agents or attorneys, shall have the right (subject to compliance with any applicable mandatory legal requirements) to take immediate possession of the Collateral, or any portion thereof (including but not limited to all copies (original and duplicates) of the Assigned Leases and all records of the Debtor with respect thereto), and for that purpose may pursue the same wherever it may be found, and may enter any of the premises of the Debtor, with or without notice, demand, process of law or legal procedure, if this can be done without breach of the peace, and search for, take possession, remove, keep and store the Collateral, or use and operate or lease the Collateral until sold.

(c) The Secured Party may take possession of the Equipment by requesting that the Debtor deliver possession of the Equipment to the Secured Party. Each Item of Equipment so delivered shall meet the standards then in effect, if any, under the interchange rules of the AAR applicable to railroad equipment of the same type as the Equipment. For the purposes of delivering possession of the Equipment to the Secured Party as above required, the Debtor shall at its own cost, expense and risk:

(i) forthwith and in the usual manner (including but not by way of limitation, giving prompt telegraphic and written notice to the AAR and all railroads or other parties to which any Equipment has been interchanged or which are using the Equipment to return the Equipment so interchanged) place such Equipment upon such storage tracks as the Secured Party reasonably may designate;

(ii) permit the Secured Party to store such Equipment on such tracks at the risk of the Debtor without charge for insurance, rent or storage until such Equipment has been sold, leased or otherwise disposed of by the Secured Party; and

(iii) transport the same to any reasonable destination on the Debtor's railroad lines or to any connecting carrier for shipment to a particular destination, all as directed by the Secured Party. Upon or before the delivery to any such destination, unless the Secured Party or other parties shall remove the markings on the Equipment identifying the Debtor, the Debtor shall have the right to remove such markings; provided, however, that the Debtor shall have no obligation to remove such markings.

The assembling, delivery, storage, insurance and transporting of the Equipment as hereinbefore provided shall be at the expense and risk of the Debtor and are of the essence of this Security Agreement, and upon application to any court of equity having jurisdiction in the premises the Secured Party shall be entitled to a decree against the Debtor requiring specific performance of the covenants of the Debtor so to assemble, deliver, store and transport the Equipment. During any storage period, the Debtor will, at its own cost and expense, insure, maintain and keep the Equipment in good order and repair and will permit the Secured Party or any person designated by it, including the authorized representative or representatives of any prospective purchaser of any such Equipment, to inspect the same. All rents and per diem charges earned in respect of the Equipment after the Secured Party shall take possession of the Equipment shall belong to the Secured Party and, if received by the Debtor, shall be promptly turned over to the Secured Party. In the event any Item of Equipment is not assembled, delivered and stored as hereinabove provided, within 60 days after such termination, the Debtor shall, in addition, pay to the Secured Party for each day thereafter, until such Item of Equipment is so assembled, delivered and stored an amount equal to the amount, if any, by which interest, computed at a rate equal to the Eurodollar Rate then in effect plus 1/2 of 1% per annum, on the AAR Destroyed Value as hereinafter defined of such Item of Equipment for each such day exceeds all gross amounts earned with respect to such Item of Equipment and received by Secured Party for each such day. The "AAR Destroyed Value" shall mean the settlement value for destroyed equipment established in Rule 107 of the Field Manual of the Interchange Rules of the AAR.

(d) The Secured party shall have the right (i) to enforce all remedies, rights, powers and privileges of the Debtor under any or all of the Assigned Leases, and/or (ii) to substitute itself or any nominee or agent in lieu of the Debtor as lessor under any of the Assigned Leases and to notify the lessee thereunder or any other obligor with respect thereto (the Debtor hereby agreeing to deliver any such notice at the request of the Secured Party) that all payments and performance under the relevant Assigned Leases shall be made or rendered to the Secured Party or such other Person as it may designate.

(e) Any Collateral repossessed by the Secured Party under or pursuant to this Section 5.2 may be sold, leased or otherwise disposed of under one or more contracts or as an entirety, and without the necessity of gathering at the place of sale the property to be sold, and in general in such manner, at such time or times, at such place or places and on such terms as the Secured Party may, in compliance with any

mandatory requirements of applicable law, determine to be commercially reasonable. Any of the Collateral may be sold, leased or otherwise disposed of, in the condition in which the same existed when taken by the Secured Party or after any overhaul or repair which the Secured Party shall determine to be commercially reasonable. Any such disposition which shall be a private sale or other private proceedings permitted by such requirements shall be made upon not less than 10 days' written notice to Debtor specifying the times at which such disposition is to be made and the intended sale price or other consideration therefor, and shall be subject, for 10 days after the giving of such notice, to the right of Debtor or any nominee of Debtor to acquire the Collateral involved at a price or for such other consideration so specified. Any such disposition which shall be a public sale permitted by such requirements shall be made upon not less than 10 days' written notice to Debtor specifying the time and place of such sale and, in the absence of applicable requirements of law, shall be by public auction (which may, at the Secured Party's option, be subject to reserve) after publication of notice of such auction not less than 10 days prior thereto in a newspaper in general circulation in the City of Minneapolis. To the extent permitted by any such requirement of law, the Secured Party may itself bid for and become the purchaser of the Collateral or any item thereof, offered for sale in accordance with this Section without accountability to Debtor (except to the extent of surplus money received as provided in Section 5.6). In the payment of the purchase price therefor, the Secured Party shall be entitled to have credit on account of the purchase price thereof of amounts owing to the Secured Party on account of the indebtedness hereby secured and the Secured Party may deliver the claims for interest on or principal of the Advance or other indebtedness hereby secured in lieu of cash up to the amount which would, upon distribution of the net proceeds of such sale, be payable thereon. If, under mandatory requirements of applicable law, the Secured Party shall be required to make disposition of the Collateral within a period of time which does not permit the giving of notice to Debtor as hereinabove specified, the Secured Party need give Debtor only such notice of disposition as shall be reasonably practicable in view of such mandatory requirements of applicable law.

(f) The Secured Party may proceed to protect and enforce this Security Agreement by suit or suits or proceedings in equity, at law or in bankruptcy, and whether for the specific performance of any covenant or agreement herein contained or in execution or aid of any power herein granted, or for foreclosure hereunder, or for the appointment of a receiver or receivers for the Collateral or any part thereof, for the recovery of judgment for the indebtedness hereby

secured or for the enforcement of any other property, legal or equitable remedy available under applicable law.

5.3 Waiver by Debtor. To the extent permitted by law, the Debtor covenants that it will not at any time insist upon or plead, or in any manner whatever claim or take any benefit or advantage of, any stay or extension of law now or at any time hereafter in force, nor claim, make, nor insist upon any benefit or advantage of or from any law now or hereafter in force providing for the valuation or appraisal of the Collateral or any part thereof, prior to any sale or sales thereof to be made pursuant to any provision herein contained, or to the decree, judgment or order of any court of competent jurisdiction; nor, after such sale or sales, claim or exercise any right under any statute now or hereafter made or enacted by any state or otherwise to redeem the property so sold or any part thereof, and, to the full extent legally permitted, hereby expressly waives for itself and on behalf of each and every person, except decree or judgment creditors of the Debtor, acquiring any interest through Debtor in, or title to, the Collateral or any part thereof subsequent to the date of this Security Agreement, all benefit and advantage of any such law or laws, and covenants that it will not invoke or utilize any such law or laws or otherwise hinder, delay or impede the execution of any power herein granted and delegated to the Secured Party, but will suffer and permit the execution of every such power as though no such power, law or laws had been made or enacted.

5.4 Effect of Sale. Any sale, whether under any power of sale hereby given or by virtue of judicial proceedings, shall operate to divest all right, title, interest, claim and demand whatsoever, either at law or in equity, of the Debtor in and to the property sold and shall be a perpetual bar, both at law and in equity, against the Debtor, its successors and assigns, and against any and all persons claiming the property sold or any part thereof under, by or through the Debtor, its successors or assigns.

5.5 Application of Sale Proceeds. Whenever any Event of Default exists, the proceeds and/or avails of any sale of the Collateral, or any part thereof, the funds in the Cash Collateral Account and the proceeds and the avails of any remedy hereunder shall be paid to and applied as follows:

(a) First, to the payment of costs and expenses of foreclosure or suit, if any, and of such sale, and of all property expenses, liability and advances, including legal expenses and reasonable attorneys' fees, incurred or made hereunder by the Secured Party, and of all taxes, assessments

or liens superior to the lien of these presents, except any taxes, assessments or other superior lien subject to which said sale may have been made;

(b) Second, to the payment of the amount then owing or unpaid on the Advance for principal and interest and any other amounts then owing under the Agreement in respect of Advance; and in case such proceeds shall be insufficient to pay in full the whole amount so due, owing or unpaid upon the Advance, then to interest thereon or the principal thereof in such order as the Secured Party may elect; and

(c) Third, to the payment of the surplus, if any, to the Debtor, its successors and assigns, or to whosoever may be lawfully entitled to receive the same; it being understood that Debtor shall remain liable to the Secured Party to the extent of any deficiency between the amount of the proceeds of such disposition and the aggregate amount of the sums referred to in clauses (a) and (b) of this Section 5.5.

5.6 Discontinuance of Remedies. In case the Secured Party shall have proceeded to enforce any right under this Security Agreement by foreclosure, sale, entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely, then, and in every such case, the Debtor and Secured Party shall be restored to their former positions and rights hereunder with respect to the property subject to the security interest created under this Security Agreement.

5.7 Cumulative Remedies. No delay or omission of the Secured Party to exercise any right or power arising from any default on the part of the Debtor, shall exhaust or impair any such right or power or prevent its exercise during the continuance of such default. No waiver by the Secured Party of any such default, whether such waiver be full or partial, shall extend to or be taken to affect any subsequent default, or to impair the rights resulting therefrom except as may be otherwise provided herein. The Secured Party may exercise any one or more or all of the remedies hereunder and no remedy is intended to be exclusive of any other remedy but each and every remedy shall be cumulative and in addition to any and every other remedy given hereunder or otherwise existing now or hereafter at law or in equity; nor shall the giving, taking or enforcement of any other or additional security, collateral or guaranty for the payment of the indebtedness secured under this Security Agreement operate to prejudice, waive or affect the security of this Security Agreement or any rights, powers or remedies hereunder, nor shall the Secured Party be required to first look to, enforce or exhaust such other or additional security, collateral or guaranties.

5.8 Indemnity. The Debtor agrees to indemnify, protect and hold harmless the Secured Party from and against all losses, damages, injuries, liabilities, claims and demands whatsoever, regardless of the cause thereof (except arising from the wilful misconduct or gross negligence of the Secured Party), and expenses in connection therewith, including, but not limited to, reasonable counsel fees and expenses, penalties and interest, arising out of or as the result of the entering into or the performance of this Security Agreement, the retention by the Secured Party of a security interest in the Collateral, the ordering, acquisition, use, operation, condition, purchase, delivery, rejection, storage or repossession of any of the Equipment, any accident, in connection with the operation, use, condition, possession, storage or repossession of any of the Collateral resulting in damage to property or injury or death to any person during the period while a security interest therein remains in the Secured Party or during the period of the transfer of such security interest in the Collateral by the Secured Party pursuant to any of the provisions of this Security Agreement. This covenant of indemnity shall continue in full force and effect notwithstanding the full payment of the indebtedness in respect of the Secured Loan, and the release of the security interest in the Collateral, as provided in Section 7.4 hereof, or the termination of this Security Agreement in any manner whatsoever.

Section 6. DEFINITIONS

6.1 As used herein, the following terms shall have the meanings herein specified unless the context otherwise requires. Defined terms in this Security Agreement shall include in the singular number the plural and in the plural number the singular.

"AAR" shall mean the Association of American Railroads.

"AAR Destroyed Value" shall have the meaning specified in Section 5.2(c) hereof.

"Advance" shall have the meaning specified in the first recital hereof.

"Assigned Lease" shall have the meaning specified in Section 1 hereof.

"Cash Collateral Account" shall have the meaning specified in Section 4.2.

"Casualty Loss" shall have the meaning specified in Section 4.2.

"Casualty Loss Proceeds" shall have the meaning specified in Section 4.2.

"Collateral" shall have the meaning specified in Section 1 hereof.

"Debtor" shall mean ACF Industries, Incorporated.

"Default" shall mean any event, act or condition which with notice or lapse of time, or both, would constitute an Event of Default.

"Event of Default" shall have the meaning specified in Section 5.1 hereof.

"Equipment" shall have the meaning specified in Section hereof.

"ICA" shall mean the Interstate Commerce Act.

"Indebtedness hereby secured" shall have the meaning specified in the second recital hereof.

"Item of Equipment" shall have the meaning specified in Section 1 hereof.

"Lien" shall have the meaning specified in Section 2.3 hereof.

"Loan Agreement" shall mean the \$7,650,000 Term Loan Agreement dated as of December 15, 1986 between the parties of this Security Agreement.

"Permitted Lien" shall have the meaning specified in Section 2.3 hereof.

"Rolling Stock" shall mean locomotives, freight train cars, work equipment cars and superstructures.

"Secured Party" shall mean First National Bank of Minneapolis.

"Security Agreement" shall mean this Security Agreement (Assignment) as specified in the first paragraph hereof.

"UCC" shall mean the Uniform Commercial Code as in effect in the State of Minnesota.

Section 7. MISCELLANEOUS

7.1 Successors and Assigns. Whenever any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party; and all the covenants, promises and agreements in this Security Agreement contained by or on behalf of the Debtor or by or on behalf of the Secured Party, shall bind and inure to the benefit of the respective successors and assigns of such parties whether so expressed or not.

7.2 Partial Invalidity. The unenforceability or invalidity of any provision or provisions of this Security Agreement shall not render any other provision or provisions herein contained unenforceable or invalid.

7.3 Communications. All communications provided for herein shall be in writing and shall be deemed to have been given (unless otherwise required by the specific provisions hereof in respect of any matter) when delivered personally or when deposited in the United States certified mails, first class, postage prepaid, addressed as follows:

If to the Debtor:

ACF Industries, Incorporated
3301 Rider Trail South
Earth City, MI 63045
Attention: Secretary,

with a copy to its office at

1370 Avenue of the Americas
New York, NY 10019
Attention: Treasurer

If to the Secured Party:

First National Bank of Minneapolis
First Bank Place
Minneapolis, MN 55480
Attention: John Norris, Vice President

7.4 Release. At the expense of the Debtor, the Secured Party shall release this Security Agreement and the security interest granted hereby by proper instrument or instruments upon presentation of satisfactory evidence that all indebtedness secured hereby has been fully paid or discharged.

7.5 Governing Law. This Security Agreement shall be construed in accordance with and governed by the laws of the

State of Minnesota; provided, however, that the parties shall be entitled to all rights conferred by 49 U.S.C. Section 11303 and such additional rights, arising out of the filing, recording or deposit hereof, if any, and of any assignment hereof as shall be conferred by the laws of the several jurisdictions in which this Security Agreement or any assignment hereof shall be filed, recorded or deposited.

7.6 Counterparts. This Security Agreement may be executed, acknowledged and delivered in any number of counterparts, each of such counterparts constituting an original but all together constituting only one Security Agreement.

7.7 Headings. Any headings or captions preceding the text of the several sections hereof are intended solely for convenience of reference and shall not constitute a part of this Security Agreement nor shall they affect its meaning, construction effect.

7.8 Definitions. Except as otherwise provided herein, all terms used herein and defined in the Loan Agreement shall be used herein as so defined.


IN WITNESS WHEREOF, the Debtor and the Secured Party have executed this Security Agreement as of the day and year first above written.

(CORPORATE SEAL)

ACF INDUSTRIES, INCORPORATED

ATTEST:

By:


Sr VP & Sec

Title: VP and Chief Financial Officer

(CORPORATE SEAL)

FIRST NATIONAL BANK OF
MINNEAPOLIS

ATTEST:

BY:

OR Rollin Asst V.P.

Title: V.P.

SCHEDULE A

<u>CAR COUNT</u>	<u>INITIALED ACFX AND NUMBERED</u>	<u>AAR DESIGNATION</u>
13	39572 - 39584	C614
1	39608	C214
1	39610	C214
1	39613	C214
8	39619 - 39626	C214
9	39634 - 39642	C214
1	39645	C214
2	39650 - 39651	C214
28	39654 - 39681	C214
6	39693 - 39698	C214
80	40401 - 40480	C214
4	40601 - 40604	C214
8	51238 - 51245	C614
10	51246 - 51255	C614
9	71245 - 71253	T104
10	71254 - 71263	T107
<hr/>		
191	Total	

STATE OF Missouri)

COUNTY OF St Charles)

SS.:

On this 29 day of December, 1986, before me, personally appeared James W. Ungew to me personally known, who being by me duly sworn, says that he resides at 3301 Redwood Trail South and is Sr. Vice President ACF Industries, Incorporated, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors; and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Donna Garza
Notary Public

DONNA GARZA
NOTARY PUBLIC STATE OF MISSOURI
ST. CHARLES COUNTY
MY COMMISSION EXP. MAY 20, 1990

STATE OF Missouri)

COUNTY OF St Charles)

SS.:

On this 29 day of December, 1986, before me, personally appeared John H. Norris to me personally known, who being by me duly sworn, says that he resides at Swist Bank Place and is Vice President, that one of the seals affixed to the foregoing instrument is the corporate seal of said Bank, that said instrument was signed and sealed on behalf of said Bank by authority of its Board of Directors; and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Bank.

Donna Garza
Notary Public

DONNA GARZA
NOTARY PUBLIC STATE OF MISSOURI
ST. CHARLES COUNTY
MY COMMISSION EXP. MAY 20, 1990